
NEW ORLEANS BUILDING CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/23/13



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A Professional Accounting Corporation

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NEW ORLEANS BUILDING CORPORATION

NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

NEW ORLEANS BUILDING CORPORATION

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NEW ORLEANS BUILDING CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Building Corporation

We have audited the accompanying statements of net position of New Orleans Building Corporation (the Corporation, a governmental entity), a discretely presented component unit of the City of New Orleans, Louisiana, as of and for the year ended December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position and cash flows, which collectively comprise the Corporation's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Orleans Building Corporation as of December 31, 2012 and 2011 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Correction of Error

As discussed in Note 13 to the financial statements, certain errors resulting in the understatement of amounts previously reported for accounts receivable and capital contributions as of and for the year ended December 31, 2011, were discovered by management of the Corporation during the current year. Accordingly, amounts reported for accounts receivable and capital contributions have been restated in the 2011 financial statements now presented, and an adjustment to net position as of December 31, 2011, to correct the error. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Postlethwaite + Netterville

New Orleans, Louisiana
June 25, 2013

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

This report offers readers of these financial statements an overview and analysis of the financial activities of the New Orleans Building Corporation (the Corporation). This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Corporation's financial position, identify any material deviations from the approved budget documents, and identify other issues or concerns.

NEW ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

The Corporation implemented GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position in fiscal year 2012. GASB 63 provides guidance for the reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The reader will note a change in terminology from "net assets" to "net position."

FINANCIAL HIGHLIGHTS

Through a Cooperative Endeavor Agreement with the City of New Orleans, the Corporation was awarded approximately \$30 million towards the redevelopment of the City's waterfront (Reinventing the Crescent). Included in the financial statements is federal grant revenue of \$8,868,832 relating to this project. These funds originated from the Disaster Community Development Block Grant (D-CDBG) program of the U.S. Department of Housing and Urban Development (HUD) administered by the City of New Orleans and the State's Office of Community Development. The program operates on a cost reimbursement basis.

During the year ended December 31, 2012, the Corporation terminated the lease with the World Trade Center of New Orleans, Inc. for the building, and parking garage located at 2 Canal Street, for total cost of \$2,295,378. Included in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2012 are parking revenues of \$1,172,366, and operating expenses of \$532,342 relating to the operation of 2 Canal Street.

Overall, the Corporation's net position of \$39,525,016 represents 85.87% of total assets at December 31, 2012. The Corporation's increase in net position for the year ended December 31, 2012 of \$11,742,153 is primarily due to the federal grant funding received of \$8,868,832 and the insurance income of \$2,110,695.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements. The financial statements provide both long-term and short-term information about the Corporation's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Corporation's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the Corporation are included in the Statements of Net Position.

COMPARATIVE FINANCIAL STATEMENTS

The following chart provides condensed information from the statement of net position for 2012 and 2011.

Statements of Net Position Comparative Data

	2012	2011 (as restated)	\$ Variance	% Variance
Current and other assets	\$ 7,825,525	\$ 4,930,633	\$ 2,894,892	59%
Restricted cash	3,930,427	4,579,562	(649,135)	-14%
Capital assets, net	34,274,755	23,361,545	10,913,210	47%
Total Assets	\$ 46,030,707	\$ 32,871,740	\$13,158,967	29%
Current liabilities	\$ 4,244,178	\$ 2,489,425	\$ 1,754,753	70%
Long term liabilities	2,261,513	2,599,452	(337,939)	-13%
Total Liabilities	\$ 6,505,691	\$ 5,088,877	\$ 1,416,814	22%
Net Position				
Invested in capital assets	\$ 32,274,755	\$ 23,361,545	\$ 8,913,210	38%
Restricted	3,939,593	4,588,728	(649,135)	-14%
Unrestricted	3,310,668	(167,410)	3,478,078	-2078%
Total net position	\$ 39,525,016	\$ 27,782,863	\$11,742,153	30%

The Corporation's net position at December 31, 2012 consists primarily of its investments in capital assets (land, building & improvements, and equipment) and restricted cash relating to its operation of the NOUPT (See Note 1 at page 13). Overall, the Corporation's net position increased by \$11,742,153 from the previous year primarily due to federal funding received for construction projects, and the insurance income of \$2,110,695.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

The following chart provides condensed information from the statement of net position for 2011 and 2010

Statements of Net Position Comparative Data

	2011			
	(as restated)	2010	\$ Variance	% Variance
Current and other assets	\$ 4,930,633	\$ 3,190,355	\$ 1,740,278	55%
Restricted cash	4,579,562	4,819,308	(239,746)	-5%
Capital assets, net	23,361,545	13,118,521	10,243,024	78%
Total Assets	<u>\$ 32,871,740</u>	<u>\$ 21,128,184</u>	<u>\$ 11,743,556</u>	<u>36%</u>
Current liabilities	\$ 2,489,425	\$ 2,899,984	\$ (410,559)	-14%
Long term liabilities	2,599,452	98,791	2,500,661	2531%
Total Liabilities	<u>\$ 5,088,877</u>	<u>\$ 2,998,775</u>	<u>\$ 2,090,102</u>	<u>41%</u>
Net Assets				
Invested in capital assets	\$ 23,361,545	\$ 13,118,521	\$ 10,243,024	78%
Restricted	4,588,728	4,819,308	(230,580)	-5%
Unrestricted	(167,410)	191,580	(358,990)	-187%
Total net assets	<u>\$ 27,782,863</u>	<u>\$ 18,129,409</u>	<u>\$ 9,653,454</u>	<u>35%</u>

The Corporation's net position at December 31, 2011 consists primarily of its investments in capital assets (land, building & improvements, and equipment) and restricted cash relating to its operation of the NOUPT (See Note 1 at page 13). Overall, the Corporation's net position increased by \$9,653,454 from the previous year primarily due to federal funding received for construction projects.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

The following chart provides condensed information from the statement of revenues, expenses, and changes in net position for 2012 and 2011

Statements of Revenues, Expenses, and Changes in Net Position Comparative Data

	<u>2012</u>	<u>2011</u> <u>(as restated)</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenues				
Lease rental income	\$ 1,838,501	\$ 1,825,212	\$ 13,289	1%
Lease income - WTC	1,172,366	-	1,172,366	N/A
Other income	76,054	76,389	(335)	0%
Total revenues	<u>3,086,921</u>	<u>1,901,601</u>	<u>1,185,320</u>	<u>38%</u>
Expenses				
NOUPT	1,736,060	2,280,853	(544,793)	-24%
WTC	532,342	-	532,342	N/A
Administration	55,893	74,442	(18,549)	-25%
Total expenses	<u>2,324,295</u>	<u>2,355,295</u>	<u>(31,000)</u>	<u>-1%</u>
Operating income/(loss)	<u>762,626</u>	<u>(453,694)</u>	<u>1,216,320</u>	<u>-268%</u>
Non-operating income				
Insurance income	<u>2,110,695</u>	<u>-</u>	<u>2,110,695</u>	<u>N/A</u>
Change in net position before capital contributions	<u>2,873,321</u>	<u>(453,694)</u>	<u>3,327,015</u>	<u>-733%</u>
Capital contributions	8,868,832	10,107,148	(1,238,316)	-12%
Change in net position after capital contributions	<u>11,742,153</u>	<u>9,653,454</u>	<u>2,088,699</u>	<u>22%</u>
Net position - January 1	<u>27,782,863</u>	<u>18,129,409</u>		
Net position - December 31	<u>\$ 39,525,016</u>	<u>\$ 27,782,863</u>		

Total revenues increased by \$1,185,320 from the previous year due to the parking garage revenues earned on 2 Canal Street for the year ended December 31, 2012. Decrease in capital contributions of \$1,238,316 is due to the federal funding provided for the Reinventing the Crescent project which fluctuates depending on timing of expenditures and the project related expenses.

Total expenses decreased by \$31,000 from the previous year. The decrease in expenses was primarily due to the full amortization of environmental clean-up of \$378,555 in prior year offset by the expenses relating to the operation of the parking garage at 2 Canal Street.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

The following chart provides condensed information from the statement of revenues, expenses, and changes in net position for 2011 and 2010

Statements of Revenues, Expenses, and Changes in Net Position Comparative Data

	2011			
	(as restated)	2010	\$ Variance	% Variance
Revenues				
Lease rental income	\$ 1,825,212	\$ 1,791,894	\$ 33,318	2%
Other income	76,389	100,884	(24,495)	-32%
Total revenues	1,901,601	1,892,778	8,823	0%
Expenses				
NOUPT	2,280,853	2,336,252	(55,399)	-2%
Administration	74,442	330,448	(256,006)	-344%
Total expenses	2,355,295	2,666,700	(311,405)	-13%
Change in net position before capital contributions	(453,694)	(773,922)	320,228	-71%
Capital contributions	10,107,148	3,272,835	6,834,313	68%
Change in net position after capital contributions	9,653,454	2,498,913	7,154,541	74%
Net position - January 1	18,129,409	15,630,496		
Net position - December 31	<u>\$ 27,782,863</u>	<u>\$ 18,129,409</u>		

Total revenues increased by \$8,823 from the previous year due to an increase in lease rental income at NOUPT offset by a decrease in other income. Increase in capital contributions of \$6,834,313 is due to the continued federal funding provided for the Reinventing the Crescent project.

Total expenses decreased by \$311,405 from the previous year. The decrease in expenses is primarily due to the decrease in repairs and maintenance and miscellaneous expenses from prior year.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

CAPITAL ASSETS

The Corporation's reported capital assets at December 31, 2012 and 2011 are as follows

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Land	\$ 3,158,513	\$ 3,158,513	\$ -
Building & equipment	4,066,945	2,308,106	1,758,839
Building improvements	2,925,097	2,635,255	289,842
Construction in progress	24,124,200	15,259,671	8,864,529
Totals	<u>\$ 34,274,755</u>	<u>\$ 23,361,545</u>	<u>\$ 10,913,210</u>

The Corporation's capital assets presented above are net of accumulated depreciation. Total net capital assets increased by \$10,913,210 from the prior year. The increase in capital assets is due primarily to grant proceeds received from the federal government through the Disaster Community Development Block Grant funding for the Reinventing the Crescent project.

The Corporation's reported capital assets at December 31, 2011 and 2010 are as follows

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Land	\$ 3,158,513	\$ 3,158,513	\$ -
Building & equipment	2,308,106	2,356,690	(48,584)
Building improvements	2,635,255	2,300,413	334,842
Construction in progress	15,259,671	5,302,905	9,956,766
Totals	<u>\$ 23,361,545</u>	<u>\$ 13,118,521</u>	<u>\$ 10,243,024</u>

The Corporation's capital assets presented above are net of accumulated depreciation. Total net capital assets increased by \$10,243,024 from the prior year. The increase in capital assets is due primarily to grant proceeds received from the federal government through the Disaster Community Development Block Grant funding for the Reinventing the Crescent project.

DEBT ADMINISTRATION

In November, 2011, the Corporation and Canal Street Development Corporation (CSDC) entered into a Cooperative Endeavor Agreement whereby CSDC agreed to provide for the payment of \$2 million in order for the Corporation to terminate the lease agreement with the World Trade Center of New Orleans, Inc.

NEW ORLEANS BUILDING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Corporation has largely stabilized after the transition of mayoral administrations and changes to the membership of the Corporation's Board and the Corporation's management

The Corporation has worked closely with the City of New Orleans to continue the development of Crescent Park. The project is expected to be substantially completed by Fall 2013 and is currently on budget. Federal funds are expected to be available to complete this phase of the development.

In March, the Corporation negotiated the termination of the lease with the World Trade Center of New Orleans, Inc. for 2 Canal Street. The Corporation is receiving revenue from several existing arrangements in effect at the transition including revenue from the World Trade Center garage operated by International Rivercenter. A Request For Proposals was issued in 2013 to solicit a developer for the office building and surrounding property.

In the coming year the Corporation will take on the leasing of the St. Roch Market. A historic structure in the St. Roch community, it is our hope to recruit a new tenant and return the Market to a viable community asset.

Finally, the Corporation has continued efforts to maximize leasing and needed improvements at the Union Passenger Terminal, which could result in fluctuating revenues and expenditures, respectively.

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the administration at 1340 Poydras Street, Suite 1000, New Orleans, Louisiana, 70112 or 504-658-8458.

NEW ORLEANS BUILDING CORPORATION
STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u> <u>(as restated)</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,165,642	\$ 2,471,936
Accounts receivable, net	4,626,856	2,438,054
Prepaid insurance and other assets	33,027	20,643
Total current assets	<u>7,825,525</u>	<u>4,930,633</u>
<u>NONCURRENT ASSETS</u>		
Restricted cash and cash equivalents	3,930,427	4,579,562
Capital assets, net	34,274,755	23,361,545
Total noncurrent assets	<u>38,205,182</u>	<u>27,941,107</u>
<u>TOTAL ASSETS</u>	<u>\$ 46,030,707</u>	<u>\$ 32,871,740</u>

LIABILITIES AND NET POSITION

<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ 3,438,229	\$ 2,455,869
Due to Canal Street Development Corporation, current	750,000	-
Deferred revenue	55,949	33,556
Total current liabilities	<u>4,244,178</u>	<u>2,489,425</u>
<u>NONCURRENT LIABILITIES</u>		
Retainage payable	1,002,347	590,286
Customer deposits	9,166	9,166
Due to Canal Street Development Corporation	1,250,000	2,000,000
Total noncurrent liabilities	<u>2,261,513</u>	<u>2,599,452</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 6,505,691</u>	<u>\$ 5,088,877</u>
<u>NET POSITION</u>		
Invested in capital assets	\$ 32,274,755	\$ 23,361,545
Restricted	3,939,593	4,588,728
Unrestricted	<u>3,310,668</u>	<u>(167,410)</u>
<u>TOTAL NET POSITION</u>	<u>\$ 39,525,016</u>	<u>\$ 27,782,863</u>

The accompanying notes are an integral part of these financial statements

NEW ORLEANS BUILDING CORPORATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u> <u>(as restated)</u>
<u>OPERATING REVENUES</u>		
Rent-tenants	\$ 1,838,501	\$ 1,825,212
Lease income - parking garage	1,172,366	-
Miscellaneous	74,133	76,002
<u>TOTAL OPERATING REVENUES</u>	<u>3,085,000</u>	<u>1,901,214</u>
<u>OPERATING EXPENSES</u>		
Contractual services	1,155,999	1,075,586
Repairs & maintenance	224,652	167,999
Insurance	260,921	271,197
Utilities	216,447	237,748
Amortization of environmental clean-up	-	378,555
Depreciation	427,215	172,170
Miscellaneous	39,061	52,040
<u>TOTAL OPERATING EXPENSES</u>	<u>2,324,295</u>	<u>2,355,295</u>
<u>OPERATING INCOME/(LOSS)</u>	<u>760,705</u>	<u>(454,081)</u>
<u>NONOPERATING INCOME</u>		
Other income	1,921	387
Insurance income	2,110,695	-
<u>TOTAL NON-OPERATING INCOME</u>	<u>2,112,616</u>	<u>387</u>
<u>CHANGES IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</u>	<u>2,873,321</u>	<u>(453,694)</u>
Capital Contributions	8,868,832	10,107,148
<u>CHANGES IN NET POSITION AFTER CAPITAL CONTRIBUTIONS</u>	<u>11,742,153</u>	<u>9,653,454</u>
<u>TOTAL NET POSITION - BEGINNING</u>	<u>27,782,863</u>	<u>18,129,409</u>
<u>TOTAL NET POSITION - ENDING</u>	<u>\$ 39,525,016</u>	<u>\$ 27,782,863</u>

The accompanying notes are an integral part of these financial statements

NEW ORLEANS BUILDING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Rents received	\$ 923,413	\$ 1,783,866
Lease income - parking garage	1,172,366	-
Payments to suppliers	(1,469,113)	(1,880,693)
Payments for insurance and related costs	(273,305)	(204,596)
Other receipts	54,103	91,476
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	<u>407,464</u>	<u>(209,947)</u>
<u>CASH FLOWS FROM NON-CAPITAL ACTIVITIES</u>		
Cash received from Canal Street Development Corporation	-	2,000,000
Insurance income	2,110,695	-
Other nonoperating income	1,921	387
<u>NET CASH PROVIDED BY NON-CAPITAL ACTIVITIES</u>	<u>2,112,616</u>	<u>2,000,387</u>
<u>CASH FLOWS FROM CAPITAL ACTIVITIES</u>		
Capital revenues from federal grants	7,637,541	9,839,094
Acquisition of parking garage	(2,301,639)	-
Capital improvements	(7,811,411)	(9,937,095)
<u>NET CASH USED IN CAPITAL ACTIVITIES</u>	<u>(2,475,509)</u>	<u>(98,001)</u>
<u>NET INCREASE IN CASH EQUIVALENTS</u>	<u>44,571</u>	<u>1,692,439</u>
<u>CASH - BEGINNING OF YEAR</u>	<u>7,051,498</u>	<u>5,359,059</u>
<u>CASH - END OF YEAR</u>	<u>\$ 7,096,069</u>	<u>\$ 7,051,498</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 760,705	\$ (454,081)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	427,215	172,170
Amortization expense	-	378,555
Changes in assets and liabilities		
Receivables	(957,511)	5,639
Prepaid expenses	(12,384)	75,767
Accounts payable	167,046	(356,486)
Deferred revenue	22,393	(40,677)
Customer deposits	-	9,166
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	<u>\$ 407,464</u>	<u>\$ (209,947)</u>
<u>RECONCILIATION TO STATEMENTS OF NET POSITION</u>		
Cash and cash equivalents for cash flow statement include		
Cash and cash equivalents	\$ 3,165,642	\$ 2,471,936
Restricted cash and cash equivalents	3,930,427	4,579,562
Total cash and cash equivalents	<u>\$ 7,096,069</u>	<u>\$ 7,051,498</u>

The accompanying notes are an integral part of these financial statements

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies

Background

The New Orleans Building Corporation (the Corporation) is a non-profit, public benefit corporation, incorporated in the State of Louisiana on May 4, 2000. The Corporation was formed for the purpose of owning, leasing, developing, and operating properties owned by the City of New Orleans or by the Corporation. These purposes include, but are not limited to planning, renovating, constructing, leasing, subleasing, managing, and promoting such properties, which activity is declared to constitute a public purpose.

The Corporation is governed by a seven person Board of Directors composed of the Mayor of New Orleans, three Council members of the City of New Orleans, and three appointed positions.

On May 25, 2002, the Corporation assumed control of the New Orleans Union Passenger Terminal (NOUPT) located in downtown New Orleans. The NOUPT was created by the State of Louisiana to enable the City of New Orleans to form a unique partnership with private railroads to finance, build, and operate the facility. The City acquired the sixty-acre downtown site and transferred use of it to the NOUPT until 2005 with an option to extend for another 50 years. With this arrangement in place, the railroads provided revenue bond financing for construction of a \$21 million terminal and support facility on the downtown site. The NOUPT began service in 1954, consolidating 30 weekly train arrivals and departures at five, widely scattered stations into the new downtown terminal. The City also granted the NOUPT the use of six miles of grade separated right-of-way created by city, state, federal, and private railroad funding, in excess of \$19 million, to eliminate time consuming and hazardous grade-crossings over the tracks servicing the NOUPT. In 1977, the City and private railroads transferred passenger rail operating responsibility of the NOUPT to the National Railroad Passenger Corporation-Amtrak. The City continued other aspects of its partnership agreement with the private railroads constituting the NOUPT prior to Amtrak's assumption of national passenger service from these railroads in the 1970's. The result was a unique governing body for the NOUPT consisting of a committee composed of representatives of the City, Public Belt Railroad Commission, Amtrak, and several railroads.

The Corporation is also responsible for the management of the Reinventing the Crescent project along the New Orleans riverfront. The project is in process and primarily funded through federal awards.

On March 9, 2012, the Corporation negotiated the termination of the lease with the World Trade Center of New Orleans, Inc. for 2 Canal Street for \$2.3 million.

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America, as applicable to governmental agencies. The following is a summary of the more significant accounting policies:

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (Continued)

The Financial Reporting Entity

The Governmental Accounting Standards Board establishes standards for defining and reporting on the financial entity. The standards indicate that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special purpose government that meets all of the following criteria: a) has a separately elected governing body, b) is legally separate, and c) is fiscally independent of other state and local governments.

As previously discussed, the City of New Orleans established the Corporation as a separate, legal entity with a governing body which is separate and independent of any other governmental "reporting entity", as defined by the standards.

For financial reporting purposes, the Corporation is a component unit of the City of New Orleans. As such, the financial statements of the Corporation are included in the financial statements of the City of New Orleans. All activities of the Corporation are included in this report.

Proprietary Fund Type

The proprietary fund is used to account for the Corporation's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into amounts invested in capital assets (net of related debt), restricted for capital projects, and unrestricted. The Corporation's restricted assets are expendable for their purposes. The Corporation utilizes available restricted assets before utilizing unrestricted assets. The operating statements present increases (revenues) and decreases (expenses) in net position.

The Corporation maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focal applied.

The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts and money market funds. Restricted cash and cash equivalents at December 31, 2012 and 2011 of \$3,930,427 and \$4,579,562, respectively, as presented in the Statements of Net Position are restricted as for the benefit of NOUPT as described in the Environmental Escrow Account Agreement and the Termination Escrow Agreement. These funds were placed in escrow when the Corporation assumed control of NOUPT on May 22, 2002.

The Environmental Escrow Account Agreement provides that after ten years, and in the event no claim has been made against the Environmental Escrow Account, the Corporation withdraw from the Environmental Account the entire balance except \$1,000,000 for certain expenses. After twenty years, the Corporation may withdraw the entire balance of the Environmental Account. Included in restricted cash and cash equivalents at December 31, 2012 and 2011 is \$2,235,970 and \$2,237,562, respectively, maintained in the Environmental Escrow Account. The Environmental Escrow Account Agreement terminates on May 22, 2022.

The Termination Escrow Account Agreement expires on May 25, 2052. Upon termination of the Termination Escrow Agreement, the full investment balance will be disbursed to the Corporation. Included in restricted cash and cash equivalents at December 31, 2012 and 2011 is \$1,694,457 and \$2,342,000, respectively, of money market funds maintained in the Termination Escrow Account.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. At December 31, 2012 and 2011, the Corporation considers all receivables collectible and no allowance for doubtful accounts is recorded.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (Continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. In connection with the transfer of the NOUPT facility to the Corporation, the Corporation purchased an insurance policy for certain losses at NOUPT. The original policy premium is \$3,200,663, and the policy period is from December 14, 2001 through December 14, 2011. At December 31, 2011, the Policy premium amount was fully amortized.

Capital Assets

The Corporation's capitalization policy requires that all single assets costing \$1,000 or more be capitalized and depreciated over their useful lives. The straight-line method of depreciation is used for all classes of capital assets. The Corporation established the following estimated useful lives for each asset class:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Computer Equipment	7 years
Building and Equipment	30 years
Building Improvements	30 years

All capital assets acquired or donated are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are recorded as expenditures.

Revenue recognition

All leases on properties are classified as operating leases and the related rental income is recognized on a straight line basis over the terms of the related leases. Percentage rents are recognized as rental income when the thresholds upon which they are based have been met. Recoveries from tenants for taxes, insurance, and other operating expenses are recognized as revenues in the period the corresponding costs are incurred. Parking revenue earned from the 2 Canal Street is recorded on the accrual basis as amounts are earned.

Recently Issued Accounting Principles

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Corporation adopted GASB Statement 63 in 2012.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Cash and Cash Equivalents

At December 31, 2012 and 2011, the Corporation had \$3,208,153 and \$2,500,182 in demand deposits, respectively. The bank balances and collateralization for deposit at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
Total bank balances	<u>\$ 3,210,087</u>	<u>\$ 2,500,182</u>
Federal depository insurance	250,000	250,000
Pledged securities	<u>3,346,523</u>	<u>3,355,825</u>
Total collateral	<u>\$ 3,596,523</u>	<u>\$ 3,605,825</u>
Excess collateral	<u>\$ 386,436</u>	<u>\$ 1,105,643</u>

At December 31, 2012 and 2011, the Corporation had \$3,930,427 and \$4,579,562, respectively, in restricted cash accounts. Restricted cash accounts are deposited in escrow accounts. Restricted cash is invested exclusively in U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Treasury, and repurchase agreements collateralized by such obligations. These securities investments are not subject to custodial credit risk.

Louisiana Revised Statutes authorize the Corporation to invest in United States bonds, treasury notes, certificates or other obligation of the United States of America, or time certificates of deposits of state banks organized under Louisiana laws and national banks having principal offices in the State. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. All deposits are secured by Federal depository insurance or the pledge of securities held by the pledging banks agent in the Corporation's name.

3. Accounts Receivable

Included in accounts receivable, net at December 31, 2012 and 2011 is \$3,655,332 and \$2,424,041, respectively, of amounts due from the City of New Orleans relating to Disaster Community Development Block Grant (D-CDBG) funding for the Reinventing the Crescent project.

Included in accounts receivable, net at December 31, 2012 is \$849,702 due from the New Orleans Hilton for parking garage revenue on the property at 2 Canal Street.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4. Capital Assets

The following is a summary of capital assets for the year ended December 31, 2012

Description	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Land	\$ 3,158,513	\$ -	\$ -	\$ 3,158,513
Building & equipment	19,070,992	2,295,378	-	21,366,370
Building improvements	2,748,840	180,518	-	2,929,358
Office equipment	10,000	-	-	10,000
Construction in progress	15,259,671	8,864,529	-	24,124,200
Subtotal	40,248,016	11,340,425	-	51,588,441
Less accumulated depreciation	(16,886,471)	(427,215)	-	(17,313,686)
Total	<u>\$ 23,361,545</u>	<u>\$ 10,913,210</u>	<u>\$ -</u>	<u>\$ 34,274,755</u>

The following is a summary of capital assets for the year ended December 31, 2011.

Description	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Land	\$ 3,158,513	\$ -	\$ -	\$ 3,158,513
Building & equipment	19,070,992	-	-	19,070,992
Building improvements	2,290,413	458,427	-	2,748,840
Office equipment	10,000	-	-	10,000
Construction in progress	5,302,904	9,956,767	-	15,259,671
Subtotal	29,832,822	10,415,194	-	40,248,016
Less accumulated depreciation	(16,714,301)	(172,170)	-	(16,886,471)
Total	<u>\$ 13,118,521</u>	<u>\$ 10,243,024</u>	<u>\$ -</u>	<u>\$ 23,361,545</u>

Construction in progress at December 31, 2012 and 2011 includes amounts for the Reimventing the Crescent project along the Riverfront

5. Deferred Revenue

Deferred revenue related to prepaid rent received on NOUPT At December 31, 2012 and 2011, included on the Statements of Net Position is \$55,949 and \$33,556, respectively, for prepaid rent amounts from tenants

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

6. Due to Canal Street Development Corporation

The Corporation leased the World Trade Center building and parking garage to the World Trade Center of New Orleans, Inc under a lease agreement which was set to expire in October 2019. The lease terms require rent in the amount of \$1 per year through the term of the lease. In November 2011, the Corporation and Canal Street Development Corporation (CSDC) entered into a Cooperative Endeavor Agreement whereby CSDC agreed to provide the Corporation \$2 million in order for the Corporation to terminate the WTC Lease Agreement.

The lease was subsequently terminated by the Corporation for a cost of \$2,295,378 on March 9, 2012.

Repayment of the due to amount will be paid by the Corporation through granting CSDC the right and authority to operate a parking garage, located adjoining the World Trade Center Building and consists of 1,000 self-car parking spaces, on a day-to-day basis, including the right to collect all revenues generated by the garage. Garage revenues in excess of \$250,000 received in each year will be applied towards payment of the indebtedness until it is paid in full.

7. Operating Leases

The Corporation leases the 2 Canal Street parking garage to the New Orleans Hilton as part of a lease agreement that expires on October 8, 2019. The lease agreement provides for fixed annual rent of \$125,000 and additional rental payments based on percentage of parking revenue in excess of \$125,000. The following is a schedule of the minimum future lease income on non-cancelable leases as of December 31, 2012.

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 190,167
2014	179,556
2015	181,192
2016	182,878
2017	184,615
2018-2019	<u>331,465</u>
Total	<u>\$ 1,249,873</u>

Lease income of \$1,172,366 is reported on the Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2012.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

7. Operating Leases (Continued)

The Corporation leases the NOUPT facility to approximately 20 tenants, including Greyhound and Amtrak, on either month to month agreements or long term operating lease agreements. The following is a schedule of the minimum future rental income on non-cancelable operating leases as of December 31, 2012:

<u>Year Ending</u>	<u>Amount</u>
2013	\$ 1,575,947
2014	971,595
2015	806,391
2016	807,408
2017	818,455
2018-2022	4,175,776
2023-2027	3,366,992
2028-2030	1,265,156
Total	<u>\$ 13,787,720</u>

Rental income of \$1,838,501 and \$1,825,212 is reported on the Statements of Revenues, Expenses, and Changes in Net Position for the years ended December 31, 2012 and 2011, respectively.

8. Commitments and Contingencies

Construction Agreements

The Corporation has a construction agreement with a contractor relating to the Reinventing the Crescent project. The total contract amount is \$24,135,956. The remaining commitment on contract was \$5,484,163 and \$13,542,071 at December 31, 2012 and 2011 respectively. The Corporation has also entered into a management agreement with a vendor to manage the Reinventing the Crescent project. The total contract amount for the management agreement is \$1,357,780 and the remaining commitment on the management contract was \$265,834 and \$295,371 at December 31, 2012 and 2011.

Environmental Liability

The City of New Orleans and the Corporation have owned/leased the site used by AMTRAK, a lessee and operator where railroad equipment service and maintenance operations were conducted since approximately 1974.

In June 2011, the Corporation received notification from the State of Louisiana Department of Environmental Quality and a formal demand by the Secretary under Louisiana Revised Statute 30:2275 for the remediation of the site including the design and implementation of a remedial investigation and a remedial action.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

8. Commitments and Contingencies (Continued)

Environmental Liability (Continued)

As of the report date, the Corporation and its counsel have determined that the ultimate resolution of this notification and any related liabilities cannot be reasonably estimated. The Corporation has \$3,939,593 in restricted assets set aside to fund environmental remediation, if any, on the site.

In connection with the transfer of the NOUPT facility to the Corporation, the Corporation purchased an insurance policy for certain potential environmental losses at NOUPT. The original policy premium was \$3,200,663, and the policy period extended from December 14, 2001 through December 14, 2011. At December 31, 2011, the Policy premium amount was fully amortized.

At the end of the policy period, the Corporation may request future clean up costs in exchange for a complete release of liability for certain obligations under the terms of the policy. On December 14, 2011, the Corporation entered into an agreement with the insurance provider for a complete release of liability for any obligation under certain coverage provided by the policy. In April 2012, the Corporation received \$2,110,695 in exchange for the release provided to the insurance company. The amount is recorded in other income in the Statements of Revenues, Expenses, and Changes in Net Position.

9. Related Parties

During the year ended, December 31, 2012 and 2011, the Corporation received Disaster Community Development Block Grant funding of \$7,637,541 and \$7,785,913, respectively, passed through the City of New Orleans. The Corporation also receives administrative assistance and staffing from employees of the City of New Orleans without charge. As the assistance from the City of New Orleans cannot be estimated, no amounts are reflected in the financial statements of the Corporation relating to these services.

10. Risk Management

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and material disasters for which the Corporation carries errors and omissions and natural disaster commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

11. Per Diem Paid to Board of Directors

The Board of Directors in their capacity as board members received no per diem amounts for the years ended December 31, 2012 and 2011.

NEW ORLEANS BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

12. Contingencies – Grant programs

The Corporation participates in State and Federal grant programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Corporation has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of December 31, 2012 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants, therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Corporation.

13. Prior Period Adjustment

The Corporation identified an understatement of accounts receivable relating to the ongoing Reinventing the Crescent project which impacted prior year financial statements. The impact on the net position of the Corporation is as follows:

Net position as previously reported, December 31, 2011	\$ 26,934,566
Accounts receivable - Reinventing the Crescent	<u>848,297</u>
Net position as restated, December 31, 2011	<u><u>\$ 27,782,863</u></u>
Change in net position as previously reported, for the year ended December 31, 2011	\$ 8,805,157
Capital contributions - Reinventing the Crescent	<u>848,297</u>
Change in net position as restated, for the year ended December 31, 2011	<u><u>\$ 9,653,454</u></u>

14. Subsequent Events

The Corporation has evaluated subsequent events through June 25, 2013, the date the financial statements were available to be issued and noted the following items required disclosure:

2 Canal Street

In January 2013, the Corporation issued a request for proposal for the redevelopment of the 2 Canal Street property.

Payment of Debt

Included in the Statements of Net Position is the amount due to CSDC for \$2 million resulting from the WTC lease termination. In February 2013, the Corporation made a partial loan payment of \$750,000 to CSDC.

NEW ORLEANS BUILDING CORPORATION

SINGLE AUDIT REPORTS

DECEMBER 31, 2012



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NEW ORLEANS BUILDING CORPORATION
New Orleans, Louisiana

Single Audit Reports

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
New Orleans Building Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the New Orleans Building Corporation (the Corporation) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise of the Corporation's basic financial statements, and have issued our report thereon dated June 25, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements. Accordingly we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

New Orleans, Louisiana
June 25, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
New Orleans Building Corporation

Report on Compliance for Each Major Federal Program

We have audited the New Orleans Building Corporation's (the Corporation's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2012. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities of the Corporation, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements. We issued our report thereon dated June 25, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Postlethwaite + Netterville

New Orleans, Louisiana
June 25, 2013

NEW ORLEANS BUILDING CORPORATION
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2012

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>United States Department of Housing and Urban Development:</u>		
Passed through the Corporation of New Orleans Community Development Block Grant	14 228	<u>\$ 8,868,832</u>
Total United States Department of Housing and Urban Development		<u>8,868,832</u>
Total Federal Awards		<u>\$ 8,868,832</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

NEW ORLEANS BUILDING CORPORATION
New Orleans, Louisiana

Notes to Schedule of Expenditures of Federal Awards

December 31, 2012

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the New Orleans Building Corporation (the Corporation). The Corporation's reporting entity is defined in note 1 to the financial statements for the year ended December 31, 2012. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the Corporation's financial statements for the year ended December 31, 2012.

(3) Relationship to Financial Statements

Federal Awards are included as capital contributions of \$8,868,832 in the Statement of Revenues, Expenses, and Changes in Net Position.

NEW ORLEANS BUILDING CORPORATION
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2012

(1) **Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements unqualified opinion
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements none reported. Material weaknesses none reported
- (c) Noncompliance which is material to the financial statements none reported
- (d) Significant deficiencies in internal control over major programs none reported. Material weaknesses none reported
- (e) The type of report issued on compliance for major programs unqualified opinion
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: none reported
- (g) Major programs

Department of Housing and Urban Development
Community Development Block Grant

14 228
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133 no

- 2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards* none reported
- 3) Findings and Questioned Costs relating to Federal Awards none reported

NEW ORLEANS BUILDING CORPORATION
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings

No findings